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***“New Paradigms: The Practice of Economic Development  
in a Changed Landscape”***

**Keynote Speech by Mayor Ron Loveridge**

**For the International Economic Development Council (IEDC)**

**September 26, 2010 – Columbus, Ohio**

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Thank you for the invitation to speak at the Plenary Session of the IEDC’s Annual Conference here in Columbus, Ohio.

Thank you for the good will and leadership of your Executive Director, Jeff Finkle.

Thank you also to IEDC for your 2004 Leadership Award for Public Service.

I will speak today from three perspectives, Mayor, Professor, and NLC President.

Now Mayor of Riverside, I have been a local elected official since 1979, 14 years as a council member and 17 years as a mayor. When I close my elected career in 2012, it will end 33 years of public service.

After receiving a Ph.D. in Political Science from Stanford in 1965, I have taught political science at University of California, Riverside, mostly state and local politics, for over 45 years. Now a full time mayor, I still teach one course a year at UCR.

And in 2010, I am President of the National League of Cities, representing 19,000 cities and towns across America. My terms ends on December 4th in Denver.

Before starting this talk, I must first highlight key ideas that I have learned from attending at least six past Annual IEDC Conferences. These ideas have importantly contributed to the governance and economic development of the City of Riverside. Most importantly, I learned that economic development is an essential, complicated, proactive, and highly competitive art form. There are winners and losers, and the outcomes are not accidental or random. I remember the

answer of Joel Garreau, author of *Edge City*, at an Annual Conference in Dallas when asked what makes a city more successful than others. His answer: go invent your future. This future must be based on a strategic plan--it is not whoever walks in the door at City Hall. Riverside is now in progress of implementing our fifth economic strategic plan since I was elected as Mayor. The first four were prepared by John Husing, a highly respected and well tested regional economist.

At UCR, I teach one course every spring quarter, Local Leadership in California. Among the readings, the text I regularly assign is by Dennis Judd and Todd Swanstrom, *City Politics: The Political Economy of Urban America*, now in its 7th edition. They emphasize, and I agree, that there are three imperatives that drive local politics: politics of growth, politics of governance, and politics of defended space. And the most important is the politics of growth. In their words, "Throughout America's national history, the most fundamental goal of urban residents and their civic leaders has generally been local economic prosperity....Attempts to promote local prosperity have been a constant feature of urban politics in America."

Every year I require a field paper--students need to go beyond the internet and the university library. Research requirements always include at least five focused, face-to-face interviews. This year the assignment was to examine the setting, process, framework, and major policy choices for an economic strategic plan in a major city in Southern California (over 25,000 population). A footnote--one of the three class texts was IEDC's Training Manual for Economic Development Strategies.

Riverside's current economic development strategy is quite different from past efforts and those of other cities. My comparative view--the City of Riverside's economic strategic plan ranks as the most distinctive effort in Southern California, and surely one of the most distinctive plans in the nation. It is called "Seizing Our Destiny." The Plan was inspired and directed by Dave Stewart, Dean of UCR's School of Management. It centers on building quality of life. It is based on the premise that increasing the quality of life enhances smart growth, encourages innovation, positions Riverside as a city of choice, and perhaps most importantly, attracts good businesses and good jobs. For more details, go to the City's web site--we have an interactive link for Seizing Our Destiny.

For context, let me offer a quick community profile. Riverside is a city of 300,000, half-way between downtown Los Angeles and Palm Springs. Once a citrus town, we are now a university community, with three universities and a community college. In terms of governance, Riverside is a council-manager city with a full time mayor who is elected at large.

In Riverside, it is many ways the best of times. For examples, we balanced our budget with a 42 million reserve out of a general fund of 190 million. And the City has never looked better--an important marker on how a city is doing.

We are both a primary retail center in Southern California and the largest employment center in Riverside County.

And yet it is also the worst of times, for our official unemployment is over 14% and foreclosures remain a serious problem.

In my 2010 State of City, I described Riverside as a Renaissance City. While I could offer many reasons, let me offer five markers for this call. Before this audience, I must as Mayor, albeit briefly, offer a hometown perspective.

1) What we call Riverside Renaissance is transforming the City. It is a nearly \$2 billion “bricks and mortar” investment. Now in its 4th year, we are on target to complete in five years about 30 years of Capital Improvement Projects.

2) Riverside is a smart city. In 2009, we were chosen as one of the 21 cities worldwide to receive the Smart 21 Communities Award. The City’s web site has received the highest competitive awards in the country. Our Information Strategic Plan is, quite simply, the best! Also, we provide free wifi across much of the city and our Digital Inclusion Program has distributed over 5,000 computers with training to low income families.

3) Riverside is a leading green city. We are implementing, and effectively so, a second and well framed Green Action Plan. In 2009, we were chosen by California's Department of Conservation as the State’s first Emerald City. And in early November, we go to Chicago to compete for a major international green award.

4) Riverside is a city of the arts. We have an exceptional arts treasure chest. We opened in 2010 the newly restored Fox Theater as a regional performing arts venue; its restoration price tag was well over \$32 million. Our official brand is a City of Arts and Innovation, and a major branding effort is in underway.

5) Riverside is a university community. Our three universities and a community college are the City’s most distinguishing characteristic, and important assets. They have the largest enrollments in their history. Together, they are our largest employers. The estimated economic impact of UCR and Riverside Community College is over \$1 billion each. We await the opening of UCR’s School of Medicine and the health and economic benefits it will bring. “In many respects,” said a report by CEOs for Cities, “the bell towers of academic institutions have replaced smokestacks as the drivers of the American urban economy.”

Let me now leave Riverside and take a more national look, focused primarily on America’s cities and towns. As to the directions and recovery of the world’s largest economy, I agree with Economist's September 18th cover story, “Are we there yet? America’s long, hard road to recovery.” In their words, “Americans are used to great distances. The sooner they, and their politicians, accept that the road to recovery will be a long one, the faster they will get there.”

For cities and towns, there needs to be a new play book. Stimulus pay outs are waning, and local governments are making major cuts in employees and services. Major investments in infrastructure are badly needed. The American Society of Civil Engineers estimates that planned spending across 15 categories of infrastructure will fall short of needed investment by a cumulative total of more than \$1.8 trillion in the next five years. Robert Shiller in a Sunday New

York Times column made the case for reviving revenue sharing; he closes with these words, “Millions of people need jobs, and there are organizations that could help put them to work. It’s time to move forward.”

This summer I read Joel Kotkin’s latest book, “The Next Hundred Million, America in 2050.” I largely agree with his overall verdict, “...because of America’s unique demographic trajectory among advanced countries, it should emerge by mid century as the most affluent, culturally rich, and successful nation in human history.”

Let read from the book’s final two paragraphs:

“The path to constructing a successful America for the next hundred million lies in understanding what Robert Bellah has called America’s “civil religion,” its ability to forge a unique focus amid great diversity of people and place. To make this future work will require energetic central and local governments, as well as community organizations which can lay down the pathways of critical human and physical infrastructure. Washington must play a role in this process, but it cannot be the primary determinant of the final destination. In 2050 the country will be primarily driven not by the central state but by families, individuals, and communities.

None of it will be easy, and certainly much can go wrong Still, we have no reason to lose faith in the possibilities of the future....The elements essential to forge a successful nation of four hundred million remain very much within our reach, there for the taking.”

Where are we now in 2010. Cities and towns are the wealth of nations. We are where economic development takes place and where quality of life is experienced. We are where America lives, plays, and works.

Unfortunately, we are also where unemployment is too high and where revenues are too low. Too many cities are markers of high unemployment and low revenues.

In a recent issue of Governing Magazine, there was a particularly telling article by John Peterson. “States and localities,” says Peterson, “are under unrelenting pressure from unceasing waves of budget gaps.” His premise is that deep cuts in state and local spending may exert a significant undertow on the nation’s recovery, for we represent about one-eighth of the U.S. economy!

At a macro level, the economic recovery of cities is indeed closely related to the recovery of this country. I agree with Charleston Mayor Joseph Riley who has emphasized, “The economy will rebound not on the national level, but rather in the cities and towns of this country.”

Unlike in most countries, the federal government contributes little to the revenues and services of American cities. It is estimated that the current contribution level is no more than 4% of our finances.

What has been the impact on cities and towns of the American Reinvestment & Recovery Act, the largest such stimulus package in the history of world. Where has all the money gone? And

what difference has it made? From a big picture perspective, ARRA was of some help for cities. However, it was focused less on city projects and more on tax cuts and state budgets and services. The federal government primarily outsourced to the states the job of spending stimulus monies.

In the City of Riverside, we have received about \$14 million dollars in ARRA formula grants. In addition, stimulus loan money has helped the funding of two downtown projects, a hotel and an office building. Noteworthy however, there have been no projects where the band has played, people cheered, and a congress member could take credit. And as important, unemployment numbers have not changed and few jobs have been credited to ARRA.

Briefly stated, from my perspective as mayor, the focus on states was miscast! Few city officials give much credit to ARA and the related stimulus funding for cities.

The National League of Cities has 49 very active State Leagues that represent some 19,000 cities and towns. The agenda of cities in Washington also requires allies and supporters from the political, private and non-profit sectors. Success in D.C. likewise requires a compelling narrative of the importance of what happens in cities.

The NLC agenda for cities and towns represents the central issues of our time; they include jobs and a robust economy, energy independence, transportation and infrastructure investment, and immigration reform.

There is a potential partner in Washington. More so than any administration in my lifetime as a political science professor at the University of California, Riverside, the Obama Administration has shown an interest in the good city, and a willingness to listen to mayors and council members from across the country. Noteworthy, however, we are almost halfway through the four years of the Obama term, and historically it is in the early years that major legislative efforts are likely to pass. Also, the impact and visibility of the new Office of Urban Policy have been modest.

By many accounts, the national recovery remains uncertain. If however, cities falter now, we could see the nation's recovery fail. NLC data shows that we face shrinking revenues and budget shortfalls of historic proportions. NLC estimates that cities together face a shortfall of \$56-83 billion over the next two years. Recent research jointly done by NLC, the United States Conference of Mayors, and the National Association of Counties indicates that nearly 500,000 public sector employees will lose their jobs in the next year and half. This will be accompanied by service cuts affecting public safety, public works, public health and social services.

A recent NY Times story offered this description for which we are all too familiar: "...state, county, and city governments have resorted to major life-changing cuts in core services that not too long ago would have been unthinkable. And these services...could get worse..., disrupting the lives of millions of people in ways large and small."

The Local Jobs for America Act was a major step toward helping cities meet the many demands for critical services, sustainable as well as safe cities. The proposed bill by George Miller, California Congressman and Chair of the House Education and Labor Committee, would have

provided \$75 billion in direct aid to local government over a two year period. It was strongly supported by NLC, US Conference of Mayors, and National Association of Counties. We now, unfortunately, face what the NY Times calls the “New Political Reality” . . . where “Stimulus Talk Yields to Calls to Cut Deficits.” Quite simply, Local Jobs for America does not have the votes necessary to pass in this session of Congress, and certainly not in the next.

The NLC also strongly supports additional funding of the Energy Efficiency and Conservation Block Grants. These grants are transforming American cities, making them more energy efficient by allowing them to spend real money on high priority “green” projects. But the Energy Block grant program should be more than what it is now – just a one time deal that was funded in the Recovery Act. I do not understand why the President and Congress do not understand the value of funding these Grants for a second year, a third and beyond.

Major transportation infrastructure improvements will, simply stated, not happen without major federal investments. It is time that Washington gets its act together and figures out how to design a transportation program that is responsive to the needs of our communities and more importantly, actually funds the transportation infrastructure needs of this country. Economic growth and the vitality of our nation’s cities are at stake.

It is important that we call for an immigration policy that advances the highest and best interests of all our residents. Immigration has supported our nation over many decades and has been a source for economic growth and innovation for our cities and for the nation. The debate over the Arizona law shows that we need to move from what divides us to what unites us as Americans. I take pride that the NLC board of directors has made a constructive call for comprehensive federal immigration legislation.

The current federal markers for these urban policy priorities are, for many obvious political reasons, not good. Unfortunately, the “big ticket” items on the NLC agenda are not likely to be in the center ring of federal legislation in Washington any time soon.

Where then do we go for help, what next? One message is clear, cities cannot look for much help to the states. A summer issue of Time Magazine was titled, “The Broken States of America.” The article pointed to the obvious; states face uncertain revenues and thus uncertain futures for many years to come. They are not likely to be the policy laboratories or success stories for our nation’s economic recovery. For cities, states too often take our money to balance their budgets and too often pass unfunded mandates. When I spoke to the Florida State League, the biggest applause line was what happens in Tallahassee should stay in Tallahassee. In California, the State League is leading the effort to pass a ballot measure to stop the state from raiding city funding.

Taking a big picture perspective, I believe the 21st century is the century of regions. We must figure out how to encourage and support the planning, economic infrastructure, and sustainability of metropolitan regions. At present, there is some talk--primarily in think tanks and at the universities, but no resources or well defined strategies. For the best review of where we are and what we can do, I would strongly recommend Bill Hudnut’s book, “Changing Metropolitan America: Preparing for a Sustainable Future.”

There is one good example from California. Here I do not mean the City of Bell. To my dismay, this small, poor city of 37,000 people has become the symbolic equivalent of Ronald Reagan's "welfare queen." Rather, I would call attention to California Senate Bill 375. For the first time, the regions of California are beginning to talk, effectively and strategically, about their future. The focus is sustainability, with green house gas targets as the markers. Long term success will depend on funding in the form of planning and especially incentives. This effort is more a marathon than sprint, but it is an important beginning!

I personally think the investment in high speed rail needs serious attention as a source of jobs, infrastructure, and technology. Why not transform the transportation system of the nation, and catch up with other countries in Asia and Europe?

From the perspective of a professor, I strongly recommend a new book I read this summer by Richard Florida, perhaps the best of the academics writing about cities. Its title is "The Great Reset: How New Ways of Living and Working Drive Post-Crash Prosperity."

Florida's premise is that this economic crisis doesn't represent a cycle. Instead, it represents a reset. He quotes General Electric CEO Jeffrey Immelt as saying, "It's an emotional, raw social, economic reset. People who understand that will prosper. Those who don't will be left behind."

What does this mean? Let me read from one paragraph in his opening chapter: "Great resets are broad and fundamental transformations of the economic and social order....A true Reset transforms not simply the way we innovate and produce but also ushers in a whole new economic landscape. As it takes shape around new infrastructure and systems of transportation, it gives rise to new housing patterns, realigning where and how we live and work. Eventually, it ushers in a whole new way of life--defined by new wants and needs and new models of consumption that spur the economy, enabling industry to expand and productivity to improve, while creating new and better jobs for workers."

At this difficult time in the economic history of American cities and towns, we can learn a great deal from each other. The exchange of ideas and sharing experiences at this Conference can identify new directions, for how we can encourage future economic growth and take advantage of the Great Reset.

In closing, I strongly believe in cities and their promise for the good life. Let me close with Robert Kennedy's vision of the good city--it is also my vision and to what I have committed my thirty years of public service as Council member and as Mayor of Riverside, California.

"The city is not just housing and stores. It is not just education and employment, parks and theaters, banks and shops. It is a place where men should be able to live in dignity and security and harmony, where the great achievements of modern civilization and ageless pleasures afforded by natural beauty should be available to all.

If this is what we want . . . we will need an outpouring of imagination, ingenuity, discipline, and hard work.

Community demands a place where people can see and know each other, where children can play and adults work together and join in the pleasures and responsibilities of the place where they live.”

Thank you for your attention, and let’s go invent our future!